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The Ministry of Small and Medium Enterprises and Startups has announced that it will allocate KRW 8.7 trillion (USD 6.6 billion) as policy funds to SMEs and microenterprises in 2024

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The Ministry aims to support the innovative growth of promising companies and establish a robust financial safety net.

Sejong, January 10 - On January 4, the Ministry of SMEs and Startups (MSS, Minister OH Youngju) announced the 2024 policy funding plan totaling KRW 8.7 trillion (USD 6.6 billion) for SMEs and microenterprises. Out of KRW 8.7 trillion (USD 6.6 billion), KRW 5 trillion (USD 3.88 billion) will be allocated for SMEs, while KRW 3.7 trillion (USD 2.81 billion) will be provided for microenterprises.

Compared to the previous year, KRW 0.7 trillion (USD 532 million) was added to the policy fund, mostly for microenterprises facing financial difficulties due to high-interest rates.

Starting January 8, the Korea SMEs and Startups Agency and the Small Enterprise and Market Service will begin accepting policy fund applications for SMEs and Microenterprises, respectively.

1. The policy fund size for SMEs and microenterprises by sector in 2024

<Policy Fund for SMEs>

The SME Policy Fund is a project that aims to provide SMEs (Small and Medium Enterprises) with long-term loans at lower interest rates than the market. These loans are designed specifically for SMEs that have difficulties accessing private banks. The project targets SMEs

that have shown excellent technical business performance and have high potential for future growth. The fund is expected to provide a total of KRW 4.9575 trillion (USD 3,767 million) in 2024.

This year, the SMEs Policy Fund aims to boost the growth of small and medium-sized enterprises by providing more support to innovative companies and increasing the availability of facility funds. Moreover, it will actively assist vulnerable SMEs in overcoming the crisis by keeping the benchmark interest rate frozen at 2.9% in the first quarter and by offering more support to those who are recovering.

For the startup period, the program will provide KRW 1.9958 trillion. During the growth period, KRW 2.1424 trillion will be allotted, followed by KRW 531.8 billion for the rebound period. An additional KRW 287.5 billion will be given over the entire business cycle. Moreover, SMEs can apply for up to KRW 500 million for working capital and KRW 6 billion for facility funds.

① **Startup Period: KRW 1.9958 Trillion**

The government has allocated KRW 1.7958 trillion to provide financial support to startups that have been in business for less than seven years. Out of this amount, a maximum of KRW 100 million will be loaned to young entrepreneurs who have been in business for less than three years and are under the age of 39. Those with businesses in manufacturing and other priority sectors can receive up to KRW 200 million in loans. The loan will be provided at a fixed interest rate of 2.5%. The funding for young entrepreneurs will increase by KRW 50 billion from KRW 250 billion in 2023 to KRW 300 billion in 2024.

In addition, SMEs that commercialize technologies from government-supported R&D or technologies having patents will receive KRW 200 billion.

② **Growth Period: KRW 2.1424 Trillion**

A total of KRW 417.4 billion will be provided to small and medium-sized enterprises (SMEs) to help them compete effectively in the global market. Out of this amount, KRW 100 billion will be allocated to SMEs that are in the early stages of exporting and focus on the domestic market, with exports of less than USD 100,000. For companies that export USD 100,000 or more, KRW 89.4 billion will be provided as direct loans from KOSME, and an additional 228 billion KRW will be provided as an interest subsidy for loans from commercial banks.

Small and medium-sized enterprises (SMEs) that have been in business for more than seven years and those that have adopted smart factory practices are eligible for direct loans of a

total of KRW 1.4587 trillion from KOSME and interest subsidy of KRW 266.3 billion for loans from commercial banks. The funds will be used to purchase machinery and equipment, construct business premises, and obtain working capital to support business management.

③ Rebound Period: KRW 531.8 Billion

The government has announced a financial aid package of KRW 531.8 billion for small and medium-sized enterprises (SMEs) facing management difficulties due to changes in the internal and external economic environment and prolonged high-interest rates. Out of this, an amount of KRW 312.5 billion will be provided to support businesses in transitioning to new industries, KRW 100 billion will be allocated to promote businesses that are restarting after closure, and KRW 119.3 billion will be allocated to improve the structure of crisis companies.

④ Entire Cycle: KRW 287.5 Billion

The government has announced that it will provide KRW 150 billion as 'emergency management stability funds' for SMEs that face temporary business difficulties due to external factors or are affected by disasters.

Additionally, the government will introduce a KRW 100 billion 'mutual growth network loan' that will provide funds for production based on purchase orders after delivery contracts are secured. To further support SMEs, KOSME will take over receivables held by SMEs without a claim for repayment and support early liquidation, with a total of KRW 37.5 billion allocated for this purpose.

<Policy Fund Scale for Small and Medium-sized Enterprises (SMEs) in 2024>

Classification		Target	Amount (100 million KRW)	
			2023	2024
Startup Period	Innovative Startup Commercialization Fund	Startups with less than 7 years in business, etc.	22,300	19,958
Growth Period	New Market Entry Support Fund	Companies with export records	3,570	4,174
	New Growth Foundation Fund	Companies that are entering the growth period with 7 years of experience or those that are introducing smart factories	17,250	17,250
Rebound Period	Rebound Support Fund	Rebounding startups by restarting or transforming their business	4,030	5,318

Entire Cycle	Emergency Management Stabilization Fund	Temporary business difficulties and disaster victims	2,589	1,500
	Value Chain Stabilization Fund	Companies that need to cash out accounts receivable and production funds based on purchase orders	375	1,375
Total			50,114	49,575

<Microenterprises Policy Fund >

The Microenterprises Policy Fund is a loan program that supports microenterprises in stabilizing their management and strengthening their self-sustainability. The total supply volume set for 2024 is KRW 3.71 trillion, up 23.7% from last year.

MSS plans to establish support funds for microenterprises in order to enhance their financial safety net. These funds will be tailored to assist with various types of financial difficulties faced by microenterprises, such as refinancing and temporary business challenges. Furthermore, MSS will provide differential support to promising microenterprises based on their potential for growth, with the aim of fostering entrepreneurial development.

KRW 1.11 trillion will be allocated to ease the business difficulties faced by microenterprises. Another KRW 1.8 trillion will be provided to stabilize the management of vulnerable microenterprises, such as those with low credit and those affected by disasters. Additionally, KRW 800 billion will be allocated to boost the innovative growth of promising microenterprises. The funds for these promising microenterprises will be available in the form of facility funds of up to KRW 1 billion and working capital of up to KRW 100 million.

① General Microenterprises: KRW 1.11 Trillion

Microenterprises can now apply for a general business stability fund worth KRW 1.11 trillion. Unlike the previous year's program, which only allowed microenterprises that have been in operation for less than three years to apply, this year's program is open to all microenterprises, regardless of their years in business.

② Vulnerable Microenterprises: KRW 1.8 Trillion

The government will allocate KRW 1.8 trillion to support vulnerable microenterprises, such as those with low credit, disabled employees, and disaster-affected businesses.

A new refinancing program worth KRW 500 billion has been established this year to provide

assistance to microenterprises that are facing high-interest rates of 7% or more for an extended period. The program offers a 10-year loan with a reduced interest rate of 4.5%. This unique program significantly reduces the interest burden, and repayment starts immediately without any grace period.

A fund of KRW 450 billion has been allocated for microenterprises that are facing temporary business difficulties due to external factors or disasters. From this year, a temporary business difficulty fund will be set up to support microenterprises that have experienced a decrease in sales due to infectious diseases such as bird flu or a regional economic downturn. Additionally, the funding threshold to support disaster recovery costs will be increased from KRW 70 million to KRW 100 million.

Furthermore, financial support will be extended to microenterprises owned by individuals with disabilities, young micro-entrepreneurs, low-credit microenterprises, and microenterprises that are actively repaying their debts after restructuring and resuming their operations. These entities usually face challenges in acquiring funding from private financial institutions.

③ Promising Microenterprises: KRW 800 Billion

The government will allocate KRW 800 billion in funding to support microenterprises with high growth potential to become entrepreneurial microenterprises.

The government has announced that it will provide funding of KRW 260 billion for innovative microenterprises. This funding is aimed at supporting microenterprises recognized for their innovation or those utilizing smart technologies. Moreover, microenterprises with high growth potential will be eligible to receive up to KRW 200 million in working capital and KRW 1 billion in facility funding.

Microenterprises that qualify include those with smart factories, strong local creators, and sales growth of over 10% for the past two years.

MSS is going to offer funding of KRW 500 billion to help microenterprises. Moreover, the organization will provide funds worth KRW 40 billion as matching loans for microenterprises that have been acknowledged for their potential and have gained investment from the private sector.

< Policy fund scale that will be applicable for microenterprises in the year 2024 >

Classification	Target	Amount (100 million KRW)	
		2023	2024
General Business Stability Fund	All microenterprises	5,000	11,100
Special Management Stabilization Fund	Vulnerable microenterprises: youth-led, disaster-affected, with low credit, etc.	13,000	18,000
Growth-based Fund	Small business owners, innovative microenterprises, etc.	12,000	8,000
Total		30,000	37,100

2. In 2024, significant enhancements will be made to the policy funds available for SMEs and microenterprises.

Due to the fact that many SMEs had difficulties accessing policy funds, the government reorganized the policy fund system to make it more convenient for SMEs and microenterprises.

As part of this reorganization, the government will upgrade the utilization system for SME policy funds.

MSS will offer personalized funding guidance services that meet application requirements among various funds based on information provided by companies. An advanced document submission system will be operational, enabling companies to submit necessary documents before the application period to ease the burden during the busy first quarter. This will allow them to apply for funds without submitting documents on the day of application.

To make it easier for those who struggle with online applications, MSS has established a remote support method and an offline-only application track to improve the application process for policy funds.

Improvements have been made in order to enhance digital services for the Microenterprises Policy Fund website. This has resulted in an easier loan application process and management of funds.

The website has recently launched a status board for the policy fund's application schedule. This feature allows users to view the list of funds that are currently being accepted as well as

the schedule for the next batch of applications. Moreover, the website now offers an online pre-diagnosis service that checks whether an individual is eligible for a loan before they apply for funds. Additionally, a loan management service is also available that informs users about the screening process and repayment schedule through a chatbot.

Furthermore, by consolidating customer data that has been managed on a company level and linking it with borrower data (such as the representative's legal name and verification information), small businesses with multiple entities will have the convenience of using a single login ID rather than having separate IDs for each business. This will enable them to easily apply for loans, manage delinquent accounts, and obtain documentation for various purposes.

To improve the convenience of using policy funds for the digitally disadvantaged, electronic signature counters supporting simple applications with tablets will be expanded to 77 regional centers.

3. Future plans

The SMEs Policy Fund for 2024 will start accepting applications on January 8 through the KOSME website (www.kosmes.or.kr). Companies that are situated in Seoul and rural areas will be eligible to apply on January 8-9 (Monday and Tuesday), while companies located in Gyeonggi and Incheon will be able to apply on January 10-11 (Wednesday and Thursday).

Starting January 8, the Microenterprises Policy Fund website (ols.semas.or.kr) will begin accepting applications. However, to ensure the stability of the advanced application system, applications for direct loans will only be accepted from January 15. Additionally, low-credit microenterprises funds, which newly mandate new education requirements, will accept applications from January 29. Please note that the application process for refinancing will be announced separately in February after the open call for banks.

Detailed information and instructions for the SMEs Policy Fund and the Microenterprises Policy Fund are available on the MSS website (www.mss.go.kr) under the SMEs Policy Fund Loan Plan Announcement and the Microenterprises Policy Fund Loan Plan Announcement.